

**WRIGHT COUNTY**  
**Clarion, Iowa**

INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
June 30, 2006

**WRIGHT COUNTY, IOWA**  
**Clarion, Iowa**

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**WRIGHT COUNTY**  
**Clarion, Iowa**  
**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rodney Toftey .....	Board of Supervisors .....	January 2007
Conrad Kleppe .....	Board of Supervisors .....	January 2007
Larry E. Olson .....	Board of Supervisors .....	January 2009
Caye Chelesvig .....	Board of Supervisors .....	January 2009
Stan Watne .....	Board of Supervisors .....	January 2009
Betty Ellis .....	County Auditor.....	January 2009
Karen Hobbie .....	County Treasurer .....	January 2007
Dwight N. Reiland.....	County Recorder.....	January 2007
Paul J. Schultz .....	County Sheriff .....	January 2009
Eric Simonson .....	County Attorney.....	January 2007
Kathy Waddell .....	County Assessor.....	Appointed



## Independent Auditors' Report

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To the Officials of Wright County  
Clarion, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wright County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Wright County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wright County at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2007 on our consideration of Wright County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 - 9 and 37 - 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wright County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on these financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" (Schedule 5) on which we express no opinion, has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

January 23, 2007

*Gardiner T. Thomsen, P.C.*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Wright County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- Governmental funds revenue decreased approximately \$213,151 from fiscal year 2005. Approximately \$11,388 was due to a decrease in property tax revenues.
- Program expenses decreased from \$12.5 million in fiscal year 2005 to \$12.4 million in fiscal year 2006.
- Net assets increased approximately \$659,266 from fiscal year 2005.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements as well as other information as follows:

- *Management's Discussion and Analysis* introduces the basic financial statements and provides an analytical overview of the government's financial activities.
- The *Government-wide Financial Statement* consists of a statement of net assets and a statement of activities. These provide information about the activities of Wright County as a whole and present an overall view of the County's finances.
- The *Fund Financial Statements* tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Wright County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Wright County acts solely as an agent or custodian for the benefit of those outside of the government.
- *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- *Required Supplementary Information other than MD&A* provides detailed information about the non-major governmental and the individual fiduciary funds, as well as the required budgetary comparison information.
- *Other Supplementary Information* provides detailed information about the non-major special revenue and the individual agency funds.

### **REPORTING THE COUNTY AS A WHOLE:**

#### *The Statement of Net Assets and the Statement of Activities*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus. This is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administrative services, interest on long-term debt and other non-program activities. Property tax and state and federal grants finance most of these activities.

### **REPORTING THE COUNTY BY FUNDS:**

#### *Fund Financial Statements*

The fund financial statements provide detailed information about individual, significant funds; not the County as a whole. Some funds are required to be established by Iowa law or by bond covenants. The County can establish other funds to help it control and manage money for particular purposes.

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These fund statements focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include: 1) General Fund, 2) Special Revenue Funds such as Mental Health, Rural Services, Drainage, and Secondary Roads, 3) Debt Service Fund, and 4) Capital Projects Fund. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The financial statements required for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

2) Proprietary funds account for the County's employee group health insurance, an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The proprietary funds required financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.



3) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include agency funds that account for emergency management services, and the county assessor to name a few.

The financial statements required for fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. Wright County's net assets for fiscal year 2006 totaled approximately \$18.9 million. This compares to fiscal year 2005 at \$18.2 million. The analysis that follows focuses on the net assets for our governmental activities.

#### **Net Assets of Governmental Activities** (Expressed in Thousands)

	2006	2005
Current and Other Assets	\$12,524	\$12,361
Capital Assets	14,698	14,081
Total Assets	27,222	26,442
Long-term Debt Outstanding	1,242	2,551
Other Liabilities	7,065	5,635
Total Liabilities	8,307	8,186
Net Assets:		
Invested in Capital Assets, Net of Debt	13,708	12,971
Restricted	2,916	2,950
Unrestricted	2,291	2,335
Total Net Assets	\$18,915	\$18,256

Net assets of Wright County's governmental activities increased by approximately \$659,266 from fiscal year 2005. The largest portion of the County's net assets is the Invested in Capital Assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements - is \$2.3 million.

Net Assets of Governmental Activities  
(Expressed in Thousands)

	2006	2005
Revenues:		
Program Revenue:		
Charges for Service	\$1,047	\$824
Operating Grants and Contributions	5,592	5,535
Capital Grants and Contributions	1,189	1,308
General Revenues:		
Property Taxes	4,082	3,923
Penalty and Interest on Property Taxes	38	23
State Tax Credits	229	250
Local Option Sales Tax	241	412
Unrestricted Investment Earnings	248	136
Gain on Sale of General Fixed Assets	1	0
Other General Revenues	413	886
Total Revenues	13,080	13,297
Program Expenses:		
Public Safety and Legal Services	1,511	1,445
Physical Health and Social Services	2,826	2,742
Mental Health	1,503	1,288
County Environment and Education	708	841
Roads and Transportation	4,010	4,438
Government Services to Residents	512	372
Administration	1,117	1,003
Nonprogram	186	295
Interest on Long-term Debt	48	57
Total Expenses	12,421	12,481
Increase in Net Assets	659	816
Net Assets Beginning of Year	18,256	17,440
Net Assets End of Year	\$18,915	\$18,256

The property tax rate in the county-wide levy increased \$0.27504 per \$1,000 of valuation generated \$138,593 more dollars than in the prior year. Taxable values and total dollars levied are as follows:

	2006	2005
Countywide taxable value	\$524,216,536	\$535,987,221
Countywide levy rate without debt	5.28578	5.29541
Dollars levied without debt	2,770,894	2,744,542
County taxable debt service value	539,244,042	551,464,793
County debt service levy rate	0.30100	0.30633
Dollars levied debt service	162,312	163,508
Total countywide rate	5.58678	5.60174
Total dollars levied countywide	2,933,206	2,908,050
Rural taxable value	333,142,751	337,799,498
Rural tax levy rate	3.75	3.46
Dollars levied rural area only	1,249,284	1,135,848
Total dollars levied	\$4,182,491	\$4,043,898

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Wright County completed the year, its governmental funds reported a combined fund balance of \$6,399,502, which is less than the \$6,607,503 combined fund balance of fiscal year 2005.

The General Fund, the operating fund for Wright County, ended fiscal year 2006 with an unreserved ending balance totaling \$2,140,589, a decrease of \$327,307. The Board of Supervisors aim to maintain an ending fund balance of about 25% of expenditures. In fiscal year 2006, ending fund balance was about 36% of expenditures.

Wright County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. Fiscal year 2006 ended with a \$419,352 balance, whereas fiscal year 2005 ended with \$525,479.

The Rural Service Fund ended fiscal year 2006 with a \$255,732 balance compared to the prior year balance of \$301,330. Property tax revenue for the Rural Services Fund tax decreased by \$51,943 in fiscal year 2006, includes local option sales tax revenue and was due to a slight decrease in valuation. The other revenues and expenditures within the rural services fund remained virtually unchanged.

The Secondary Roads Fund ended fiscal year 2006 with a \$2.2 million balance compared to the prior year balance of \$2.0 million.

The Debt Service Fund ended fiscal year 2006 with a \$2,984 balance compared to the prior year balance of \$4,350.

The Capital Projects Fund ended fiscal year 2006 with a \$780 balance compared to the prior year balance of \$3.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, Wright County amended the General budget once. The amendment was made in April 2006. The amendment created an increase in revenues and expenditures of \$5,419 and \$50,917, respectively.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal year 2006, Wright County had approximately \$30.2 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads, and bridges. This amount is an increase of approximately \$1.6 million from fiscal year 2005 including infrastructure.

Wright County had depreciation expense of \$1.1 million in fiscal year 2006 and total accumulated depreciation of \$16.4 million on the capital assets. This is an increase in fiscal year 2005's total accumulated depreciation of \$15.3 million.

### **Debt**

At the end of fiscal year 2005, Wright County had \$990,000 in general obligation bond outstanding compared to \$1,110,000 at the end of fiscal year 2005.

Outstanding debt decreased as a result of the general obligation bond payments for the Jail. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the county's corporate limits. Wright County's outstanding general obligation debt is significantly below its constitutional debt limit of \$36 million.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Wright County's finances, and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Wright County Auditor's Office, 115 North Main Street, Clarion, IA 50525.

**WRIGHT COUNTY**  
**Clarion, Iowa**

**STATEMENT OF NET ASSETS**

June 30, 2006

	Governmental Activities
<b>ASSETS</b>	
Cash & Pooled Investments	\$5,810,927
Receivables:	
Property Tax:	
Delinquent	6,296
Succeeding Year	4,200,910
Interest & Penalty On Property Tax	89
Accounts	53,412
Accrued Interest	23,188
Drainage Assessments	741,904
Due From Other Governments	870,077
Loans Receivable	219,515
Inventories	483,059
Prepaid Insurance	114,830
Capital Assets (Net of Accumulated Depreciation)	14,698,172
<b>TOTAL ASSETS</b>	<u>27,222,379</u>
<b>LIABILITIES</b>	
Accounts Payable	470,130
Salaries & Benefits Payable	127,343
Due To Other Governments	193,239
Deferred Revenue:	
Succeeding Year Property Tax	4,200,910
Other	961,646
Accrued Interest Payable	6,346
Long Term Liabilities:	
Portion Due or Payable Within One Year:	
General Obligation Notes	125,000
USDA Promissory Note	14,055
Compensated Absences	237,462
Portion Due or Payable After One Year:	
General Obligation Notes	865,000
USDA Promissory Note	278,393
Drainage Warrants/Improvement Certificates	827,563
<b>TOTAL LIABILITIES</b>	<u>8,307,087</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	13,708,172
Restricted For:	
Mental Health Purposes	466,428
Secondary Roads Purposes	2,104,498
Capital Projects	780
Internal Service	82,892
Other Purposes	812,038
Unrestricted	1,740,484
<b>TOTAL NET ASSETS</b>	<u><u>\$18,915,292</u></u>

See Notes to Financial Statements

**WRIGHT COUNTY**  
**Clarion, Iowa**

**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2006

		Program Revenues			
		Operating Grants, Contributions & Restricted Interest	Capital Grants, Contributions & Restricted Interest	Net (Expense) Revenue & Changes in Net Assets	
	Expenses	Charges for Service			
<b>FUNCTIONS/PROGRAMS:</b>					
Governmental Activities:					
Public Safety & Legal Services	\$1,510,513	\$78,031	\$15,230	\$ 0	\$(1,417,252)
Physical Health & Social Services	2,825,952	174,429	2,340,535	0	(310,988)
Mental Health	1,502,621	88,352	750,578	0	(663,691)
County Environment & Education	707,502	145,265	20,535	0	(541,702)
Roads & Transportation	4,010,456	52,412	2,456,402	1,188,942	(312,700)
Governmental Services to Residents	512,332	326,579	0	0	(185,753)
Administration	1,117,062	39,067	3,030	0	(1,074,965)
Nonprogram	186,204	142,731	5,580	0	(37,893)
Interest on Long-Term Debt	48,420	0	0	0	(48,420)
<b>TOTAL</b>	<b>\$12,421,062</b>	<b>\$1,046,866</b>	<b>\$5,591,890</b>	<b>\$1,188,942</b>	<b>(4,593,364)</b>
<b>GENERAL REVENUES:</b>					
Property & Other County Tax Levied For:					
General Purposes					3,924,156
Debt Service					158,629
Penalties & Interest on Property Tax					37,622
State Tax Credits					229,294
Local Option Sales Tax					240,986
Unrestricted Investment Earnings					248,247
Miscellaneous					413,001
Gain on Disposal of Capital Assets					695
<b>TOTAL GENERAL REVENUES</b>					<b>5,252,630</b>
<b>CHANGE IN NET ASSETS</b>					659,266
<b>NET ASSETS, BEGINNING OF YEAR</b>					18,256,026
<b>NET ASSETS, END OF YEAR</b>					<b>\$18,915,292</b>

See Notes to Financial Statements

**WRIGHT COUNTY****Clarion, Iowa****BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2006

		Special Revenue	
	General	Mental Health	Rural Services
ASSETS			
Cash & Pooled Investments	\$1,838,670	\$552,329	\$226,112
Receivables:			
Property Tax:			
Delinquent	4,658	1,070	23
Succeeding Year	2,218,547	509,675	1,207,089
Interest & Penalty on Property Tax	89	0	0
Accounts	48,701	212	0
Assessments	0	0	0
Accrued Interest	19,620	0	0
Due From Other Funds	8,325	0	0
Due From Other Governments	407,328	135,176	29,620
Note Receivable	0	0	0
Inventories	0	0	0
Prepaid Insurance	68,055	0	0
TOTAL ASSETS	\$4,613,993	\$1,198,462	\$1,462,844

**LIABILITIES & FUND BALANCES**

Liabilities:			
Accounts Payable	\$140,976	\$24,408	\$ 0
Salaries & Benefits Payable	78,546	4,673	0
Due To Other Governments	0	193,239	0
Deferred Revenue:			
Succeeding Year Property Tax	2,218,547	509,675	1,207,089
Other	35,415	47,115	23
<b>Total Liabilities</b>	<b>2,473,484</b>	<b>779,110</b>	<b>1,207,112</b>

Fund Balances:			
Reserved For:			
Inventories	0	0	0
Debt Service	0	0	0
Drainage	0	0	0
Unreserved, Reported In:			
General Fund	2,140,509	0	0
Special Revenue Funds	0	419,352	255,732
Capital Projects Fund	0	0	0
<b>Total Fund Balances</b>	<b>2,140,509</b>	<b>419,352</b>	<b>255,732</b>

<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$4,613,993</b>	<b>\$1,198,462</b>	<b>\$1,462,844</b>
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See Notes to Financial Statements

**Exhibit C**

Special Revenue		Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Secondary Roads	Drainage				
\$1,655,196	\$296,869	\$2,968	\$780	\$1,131,299	\$5,704,223
0	0	545	0	0	6,296
0	0	265,599	0	0	4,200,910
0	0	0	0	0	89
3,744	0	0	0	755	53,412
0	741,904	0	0	0	741,904
0	0	0	0	2,958	22,578
0	0	0	0	0	8,325
281,437	0	0	0	16,516	870,077
0	0	0	0	219,515	219,515
483,059	0	0	0	0	483,059
46,775	0	0	0	0	114,830
<b>\$2,470,211</b>	<b>\$1,038,773</b>	<b>\$269,112</b>	<b>\$780</b>	<b>\$1,371,043</b>	<b>\$12,425,218</b>
\$229,990	\$19,855	\$ 0	\$ 0	\$38,804	\$454,033
44,124	0	0	0	0	127,343
0	0	0	0	0	193,239
0	0	265,599	0	0	4,200,910
110	741,904	529	0	225,095	1,050,191
<b>274,224</b>	<b>761,759</b>	<b>266,128</b>	<b>0</b>	<b>263,899</b>	<b>6,025,716</b>
483,059	0	0	0	0	483,059
0	0	2,984	0	0	2,984
0	1,498	0	0	0	1,498
0	0	0	0	0	2,140,509
1,712,928	275,516	0	0	1,107,144	3,770,672
0	0	0	780	0	780
<b>2,195,987</b>	<b>277,014</b>	<b>2,984</b>	<b>780</b>	<b>1,107,144</b>	<b>6,399,502</b>
<b>\$2,470,211</b>	<b>\$1,038,773</b>	<b>\$269,112</b>	<b>\$780</b>	<b>\$1,371,043</b>	<b>\$12,425,218</b>



**WRIGHT COUNTY  
Clarion, Iowa****RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
June 30, 2006**

**Total Governmental Fund Balances (pages 12-13)** \$6,399,502

*Amounts reported for governmental activities in the Statement of Net Assets  
are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$31,157,337 and the accumulated depreciation is \$16,459,165. 14,698,172

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 88,545

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in Governmental Activities in the Statement of Net Assets. 82,892

Long-term liabilities, including bonds payable, compensated absences payable, and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the funds. (2,353,819)

**Net Assets of Governmental Activities (page 11)** \$18,915,292

See Notes to Financial Statements

**WRIGHT COUNTY****Clarion, Iowa****STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

Year Ended June 30, 2006

	General	Special Revenue	
		Mental Health	Rural Services
<b>REVENUES:</b>			
Property & Other County Tax	\$2,179,115	\$524,712	\$1,461,900
Interest & Penalty on Property Tax	37,622	0	0
Intergovernmental	2,584,482	869,939	68,966
Licenses & Permits	5,643	0	0
Charges for Service	488,992	0	0
Use of Money & Property	282,301	0	0
Miscellaneous	46,084	638	0
Nonprogram	0	0	0
Total Revenues	5,624,239	1,395,289	1,530,866
<b>EXPENDITURES:</b>			
Operating:			
Public Safety & Legal Services	1,050,804	0	349,539
Physical Health & Social Services	2,812,993	0	0
Mental Health	0	1,501,416	0
County Environment & Education	483,834	0	197,184
Roads and Transportation	0	0	0
Governmental Services to Residents	496,535	0	1,393
Administration	989,205	0	0
Nonprogram	27,670	0	0
Debt Service	0	0	0
Capital Projects	0	0	0
Total Expenditures	5,861,041	1,501,416	548,116
Excess (Deficiency) of Revenues Over (Under) Expenditures	(236,802)	(106,127)	982,750
Other Financing Sources (Uses):			
Sale of Capital Assets	695	0	0
Operating Transfers In	4	0	0
Operating Transfers Out	(91,204)	0	(1,028,348)
Proceeds from Issuance of Stamped Warrants	0	0	0
Total Other Financing Sources (Uses)	(90,505)	0	(1,028,348)
Net Change in Fund Balance	(327,307)	(106,127)	(45,598)
Fund Balances – Beginning of Year	2,467,816	525,479	301,330
Decrease in Reserve for Inventories	0	0	0
Fund Balances – End of Year	\$2,140,509	\$419,352	\$255,732

See Notes to Financial Statements

**Exhibit E**

Special Revenue		Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Secondary Roads	Drainage				
\$ 0	\$ 0	\$158,445	\$ 0	\$ 0	\$4,324,172
0	0	0	0	0	37,622
2,456,402	0	9,151	0	30,727	6,019,667
4,510	0	0	0	0	10,153
0	0	0	0	3,087	492,079
8,000	0	0	781	97,793	388,875
45,392	0	0	0	122,778	214,892
0	233,397	0	0	0	233,397
2,514,304	233,397	167,596	781	254,385	11,720,857
0	0	0	0	120,012	1,520,355
0	0	0	0	9,327	2,822,320
0	0	0	0	0	1,501,416
0	0	0	0	36,760	717,778
2,958,515	0	0	0	0	2,958,515
0	0	0	0	13,400	511,328
0	0	0	0	16,163	1,005,368
0	289,130	0	0	0	316,800
0	0	168,962	0	0	168,962
376,644	0	0	0	25,000	401,644
3,335,159	289,130	168,962	0	220,662	11,924,486
(820,855)	(55,733)	(1,366)	781	33,723	(203,629)
0	0	0	0	0	695
1,119,552	0	0	0	0	1,119,556
0	0	0	(4)	0	(1,119,556)
0	59,911	0	0	0	59,911
1,119,552	59,911	0	(4)	0	60,606
298,697	4,178	(1,366)	777	33,723	(143,023)
1,962,268	272,836	4,350	3	1,073,421	6,607,503
(64,978)	0	0	0	0	(64,978)
\$2,195,987	\$277,014	\$2,984	\$780	\$1,107,144	\$6,399,502

**WRIGHT COUNTY**  
**Clarion, Iowa**

**RECONCILIATION OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2006

**Net Change in Fund Balances - Total Governmental Funds (pages 15-16)** \$(143,023)

*Amounts reported for governmental activities in the Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$623,125	
Capital assets contributed by the Iowa Department of Transportation	1,188,942	
Depreciation Expense	<u>(1,195,391)</u>	616,676

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:

Property Tax	(402)	
Other	<u>67,665</u>	67,263

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues as follows:

Repaid		120,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds as follows:

USDA Promissory Note	13,917	
Drainage Warrants	74,685	
Compensated Absences	(11,780)	
Interest on Long-Term Debt	<u>542</u>	77,364

Inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenditures in the period that the corresponding net asset is exhausted.

(64,978)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

(14,036)

**Change in Net Assets of Governmental Activities (page 11)**

\$659,266

See Notes to Financial Statements

**WRIGHT COUNTY  
Clarion, Iowa****STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2006**

	Internal Service Employee Group Health
<b>ASSETS</b>	
Cash and Cash Equivalents	\$98,379
Receivables	
Accrued Interest	<u>610</u>
<b>TOTAL ASSETS</b>	<u><u>\$98,989</u></u>
 <b>LIABILITIES</b>	
Accounts Payable	<u>\$16,097</u>
 <b>NET ASSETS</b>	
Unrestricted	<u><u>\$82,892</u></u>

See Notes to Financial Statements

**WRIGHT COUNTY**  
**Clarion, Iowa**

STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
**PROPRIETARY FUND**  
Year Ended June 30, 2006

	Internal Service Employee Group Health
<hr/>	
<b>OPERATING REVENUES:</b>	
Reimbursements From Operating Funds	\$1,154,312
Reimbursements From Employees	123,933
Miscellaneous	22,260
Total Operating Revenues	<hr/> 1,300,505 <hr/>
<b>OPERATING EXPENSES:</b>	
Medical Claims	196,984
Insurance Premiums	1,019,471
Administrative Fees	7,926
Miscellaneous	93,631
Total Operating Expenses	<hr/> 1,318,012 <hr/>
Operating Loss	(17,507)
<b>NON-OPERATING REVENUES:</b>	
Interest on Investments	<hr/> 3,471 <hr/>
Net Loss	(14,036)
Net Assets Beginning of Year	<hr/> 96,928 <hr/>
Net Assets End of Year	<hr/> <hr/> \$82,892 <hr/>

See Notes to Financial Statements

**WRIGHT COUNTY**  
**Clarion, Iowa**

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
Year Ended June 30, 2006

	Internal Service Employee Group Health
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received from Operating Fund Reimbursements	\$1,154,312
Cash Received from Employees & Others	146,193
Cash Payments to Suppliers for Services	(1,307,042)
Net Cash Used in Operating Activities	<u>(6,537)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on Investments	<u>3,003</u>
Net Decrease in Cash & Cash Equivalents	(3,534)
Cash & Cash Equivalents at Beginning of Year	<u>101,913</u>
Cash & Cash Equivalents at End of Year	<u><u>\$98,379</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>	
Operating Loss	\$(17,507)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Increase in Accounts Payable	<u>10,970</u>
Net Cash Used in Operating Activities	<u><u>\$(6,537)</u></u>

See Notes to Financial Statements

**WRIGHT COUNTY  
Clarion, Iowa****STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2006****ASSETS**

Cash & Pooled Investments:	
County Treasurer	\$955,510
Other County Officials	14,711
Receivables:	
Property Tax:	
Delinquent	1,084
Succeeding Year	11,928,292
Accounts	25,421
Accrued Interest	662
Assessments	283,928
Due from Other Governments	312
<b>TOTAL ASSETS</b>	<u>13,209,920</u>

**LIABILITIES**

Accounts Payable	72,866
Salaries & Benefits Payable	9,388
Due To Other Governments	13,104,424
Trusts Payable	6,330
Compensated Absences	16,912
<b>TOTAL LIABILITIES</b>	<u>13,209,920</u>

<b>NET ASSETS</b>	<u><u>\$ 0</u></u>
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See Notes to Financial Statements



# WRIGHT COUNTY

## Clarion, Iowa

### Notes to Financial Statements

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#### Note 1: Summary of Significant Accounting Policies

Wright County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. REPORTING ENTITY

For financial reporting purposes, Wright County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Wright County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Two hundred forty-seven major drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Though these districts are legally separate from the County, they are controlled, managed and supervised by the Wright County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Wright County Auditor's office.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The Wright County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Wright County Assessor's Conference Board, Wright County Emergency Management Commission, and Wright County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### B. BASIS OF PRESENTATION

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other non-exchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

#### Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the secondary road construction and maintenance.

The Drainage Fund is used to account for special assessments against benefited properties and the payment of drainage warrants and drainage improvement certificates.

## **Notes to Financial Statements (Continued)**

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **B. Basis of Presentation (Continued)**

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Additionally the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the county and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Fund - Agency funds are used to account for assets held by the county as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units, and/or other funds.

#### **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long term debt, claims, judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply the cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board Statements of Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on a cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. ASSETS, LIABILITIES AND FUND EQUITY

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable, but has not been collected.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, Buildings	25,000
Equipment	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-65
Infrastructure	10-65
Equipment	2-20

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

#### E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements in the Nonprogram function exceeded the amounts budgeted and disbursements in certain departments exceeded the amounts appropriated.

### Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,441,352 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest Rate Risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Credit risk – The investment in Iowa Public Agency Investment Trust is unrated.

## Notes to Financial Statements (Continued)

### Note 3: Due from and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Agency: Auto License and Use Tax	\$8,325

These balances resulted from the time lag between the dates that inter-fund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

### Note 4: Loans Receivable

**Wright County Revolving Loan Fund** Wright County has no economic development loan receivable at June 30, 2006 due from businesses located in Wright County. Loans were made in prior years to businesses to promote economic development. The balance of \$510 from June 30, 2005, was paid in full during the year ending June 30, 2006.

The loans are to be repaid to Wright County in monthly installments over periods ranging from three to ten years, with interest at rates ranging from five to nine percent per annum. The loan repayments from the businesses remain in the Wright County Revolving Loan Fund for future loans to other businesses.

**Wright County Revolving Housing Assistance Fund** – Wright County was the recipient of a grant from the Iowa Finance Authority (Authority) in the amount not to exceed \$100,000 under the Housing Assistance Fund Program. The Housing Assistance Fund Program was created by the Authority to provide a flexible program of financial assistance for housing projects. Funds are received by the County from the Authority as requested and are then disbursed as loans directly to qualifying lenders to lower the purchaser's mortgage amount or pay for rehabilitation costs.

The loans are repaid to Wright County over a five-year period with interest at five percent per annum. The loan repayments remain in the Special Revenue, Wright County Revolving Housing Assistance Fund for future loans to other borrowers. The balance of the loans receivable at June 30, 2006 totaled \$42,475. During the year ended June 30, 2006, \$6,000 was disbursed to homeowners.

### Note 5: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2006 is as follows:

Transfer To	Transfer From	Amount
Special Revenue:		
Secondary Roads	General Basic	\$91,204
	Special Revenue	
Secondary Roads	Rural Services	1,028,348
General	Jail Capital Project	4
Agency	Agency	
Assessor	Special Appraisal	15,000
Total		<u>\$1,134,556</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

## Notes to Financial Statements (Continued)

### Note 6: Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$782,805	\$25,000	\$ 0	\$807,805
Construction in Process	0	145,514	0	145,514
Total capital assets not being depreciated	782,805	170,514	0	953,319
Capital assets being depreciated:				
Buildings	4,234,754	0	0	4,234,754
Machinery and equipment	5,181,595	270,335	76,615	5,375,315
Infrastructure, road network	19,222,731	1,371,218	0	20,593,949
Total capital assets being depreciated	28,639,080	1,641,553	76,615	30,204,018
Less accumulated depreciation for:				
Buildings	2,127,266	30,612	0	2,157,878
Machinery and equipment	3,113,951	351,799	76,615	3,389,135
Infrastructure, road network	10,099,171	812,982	0	10,912,153
Total accumulated depreciation	15,340,388	1,195,393	76,615	16,459,166
Total capital assets being depreciated, net	13,298,692	446,160	0	13,744,852
Governmental activities capital assets, net	\$14,081,497	\$616,674	\$ 0	\$14,698,171

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$34,044
Physical health and social services	3,735
County environment and education	27,411
Roads and transportation	1,119,886
Administrative services	6,317
Nonprogram	4,000
Total depreciation expense – governmental activities	<u>\$1,195,393</u>



## Notes to Financial Statements (Continued)

### Note 7 : Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
Special Revenue:		
Mental Health	Services	\$193,239
Total for governmental funds		
Agency:		
Agricultural Extension	Collections	\$144,539
Assessor		193,505
Schools		7,741,648
Community Colleges		221,641
Corporations		3,484,152
Auto License & Use Tax		240,934
All Others		1,078,005
Total for agency funds		\$13,104,424

### Note 8: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006, is as follows:

	Capital Loan Notes	Drainage Warrants	Drainage Improvements Certificates	Intermediary Relending Loan	Compensated Absences	Total
Balance – Beginning of Year	\$1,110,000	\$81,232	\$821,016	\$306,365	\$242,278	\$2,560,891
Additions	0	59,911	0	0	12,096	72,007
Reductions	120,000	42,877	91,719	13,917	0	268,513
Balance – End of Year	\$990,000	\$98,266	\$729,297	\$292,448	\$254,374	\$2,364,385
Due within one year	\$125,000	\$ 0	\$ 0	\$14,055	\$254,374	\$393,429

## **Notes Financial Statements (Continued)**

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### **Note 8: Changes in Long-Term Liabilities (Continued)**

#### Capital Loan Notes

A summary of the County's June 30, 2006 general obligation capital loan note indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2007	4.20%	\$125,000	\$43,982	\$168,982
2008	4.25	130,000	38,732	168,732
2009	4.35	135,000	33,208	168,208
2010	4.40	140,000	27,336	167,336
2011	4.50	145,000	21,176	166,176
2012	4.60	155,000	14,650	169,650
2013	4.70	160,000	7,520	167,520
Total		<u>\$990,000</u>	<u>\$186,604</u>	<u>\$1,176,604</u>

During the year ended June 30, 2006, the County retired \$120,000 of the general obligation capital loan notes.

#### Drainage Warrants/Drainage Improvements Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented.

Drainage improvement certificates payable represent amounts due to purchases of drainage improvement certificates. Drainage improvements certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowners.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue Fund solely from special assessments against benefited properties.

#### Wright County Intermediary Relending Loan Program

The County entered into an intermediary relending loan program agreement with the Farmers Home Administration (FmHA) dated July 25, 1994, pursuant to the provisions of Chapter 331.402 of the Code of Iowa. The loan agreement is for the purpose of borrowing funds in order to make loans to private persons for economic development through the Wright County Economic Development Corporation. FmHA loaned the County \$400,000 with interest at the fixed rate of one percent per annum. Principal and interest will be paid in 27 equal annual amortized installments beginning on July 25, 1998, with any remaining balance due and payable 30 years from the date of the note. In addition, the County has contributed \$100,000 to the intermediary relending loan program.

## Notes to Financial Statements (Continued)

### Note 8: Changes in Long-Term Liabilities (Continued)

Details of the loan repayment requirements are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2007	1.00%	\$14,055	\$2,925	\$16,980
2008	1.00	14,196	2,784	16,980
2009	1.00	14,338	2,642	16,980
2010	1.00	14,481	2,499	16,980
2011	1.00	14,626	2,354	16,980
2012	1.00	14,772	2,208	16,980
2013	1.00	14,920	2,060	16,980
2014	1.00	15,069	1,911	16,980
2015	1.00	15,220	1,760	16,980
2016	1.00	15,372	1,608	16,980
2017	1.00	15,526	1,454	16,980
2018	1.00	15,681	1,299	16,980
2019	1.00	15,838	1,142	16,980
2020	1.00	15,996	984	16,980
2021	1.00	16,156	824	16,980
2022	1.00	16,318	662	16,980
2023	1.00	16,481	499	16,980
2024	1.00	16,646	334	16,980
2025	1.00	16,757	168	16,925
Total		\$292,448	\$30,117	\$322,565

During the year ended June 30, 2006, the County received loan principal repayments of \$50,219, leaving a balance of loans receivable at June 30, 2006 of \$177,041.

### Contingent Liabilities

#### General Obligation Capital Loan Notes

The County entered into an agreement with the Wright County Area Landfill Authority to assist in financing the cost of acquiring and constructing works and facilities useful for the collection and disposal of solid waste, certain landfill closure costs, equipment, transfer station improvements and composting facilities. The agreement provided for Wright County to sell general obligation capital loan notes on behalf of the Authority for the purpose outlined above. The notes are to be repaid from revenues generated by operation of the landfill.

The County is contingently liable on \$127,323 of general obligation capital loan note indebtedness outstanding at June 30, 2006. Since the interest and bond principal is currently paid out of Wright County Area Landfill Authority revenues, this liability has not been recorded in the Long-Term Liabilities on Exhibit A. However, since the notes are a general obligation of the County, if the revenues of the Authority in future years are not adequate, a tax may be levied on all taxable property in the County.

## Notes to Financial Statements (Continued)

### Note 8: Changes in Long-Term Liabilities (Continued)

Details of this note indebtedness at June 30, 2006, are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2007	5.75	\$39,831	\$6,769	\$46,600
2008	5.75	42,154	4,446	46,600
2009	5.75	45,338	1,988	47,326
Total		\$127,323	\$13,203	\$140,526

During the year ended June 30, 2006, the Wright County Area Landfill Authority retired \$37,635 of notes.

#### General Obligation Work Activity Center Notes

During the year ended June 30, 1994, the County received a \$371,800 Farmer's Home Administration (FmHA) community facilities loan on behalf of Unlimited Opportunities, Inc. to assist in the construction of a work activity center. The County issued general obligation work activity center notes to evidence its obligation under the loan agreement. The notes are to be repaid from revenues generated by operation of the work activity center.

The County is contingently liable on \$135,054 of general obligation work activity center note indebtedness outstanding at June 30, 2006. Since the interest and bond principal is currently paid out of Unlimited Opportunities, Inc. revenues, this liability has not been recorded in the Long Term Liabilities on Exhibit A. However, since the notes are a general obligation of the County, if the revenues of the work activity center in future years are not adequate, the notes may be payable from the County's General Fund. The transactions for this note issue are accounted for in an Agency Fund.

Details of this note indebtedness at June 30, 2006 are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2007	5.00	\$23,223	\$6,225	\$29,448
2008	5.00	24,411	5,037	29,448
2009	5.00	25,660	3,788	29,448
2010	5.00	26,973	2,475	29,448
2011	5.00	28,353	1,095	29,448
2012	5.00	6,434	50	6,484
Total		\$135,054	\$18,670	\$153,724

During the year ended June 30, 2006, Unlimited Opportunities, Inc. retired \$22,092 of notes. The above schedule of note indebtedness provides for an anticipated pay-off date of October 1, 2011 even though the notes have a stated maturity date of June 29, 2014.

## **Notes to Financial Statements (Continued)**

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### **Note 9: Pension and Retirement Benefits**

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA 50306-9117

Most regular plan members are required to contribute 3.70 of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$268,683, \$256,679, and \$245,147, respectively, equal to the required contributions for each year.

### **Note 10: Risk Management**

Wright County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund expenses and reinsurance expenses due and payable in the current year, plus all of any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of a deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The County's property and casualty contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2006 were \$121,642.

The Pool uses reinsurance and excess risk sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

## **Notes to Financial Statements (Continued)**

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### **Note 10: Risk Management (Continued)**

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of their capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for workers compensation claims in excess of \$1,000,000 and employee blanket bond claims in excess \$50,000 (\$450,000 for the County Treasurer), respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note 11: Employee Group Health Fund**

The Internal Service, Employee Group Health Fund, was established to account for the partial self-funding of the County's health insurance benefit plan. Wright County purchases health insurance from Wellmark.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. The County's contribution for the year ended June 30, 2006 was \$1,154,312.

Amounts payable from the Employee Group Health Fund at June 30, 2006 total \$16,097, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$82,892 at June 30, 2006 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

## Notes to Financial Statements (Continued)

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### Note 11: Employee Group Health Fund (Continued)

Unpaid Claims Beginning of Year	<u>\$5,127</u>
Incurred Claims (Including Claims Incurred but not Reported at June 30, 2006):	
Current Year Events	<u>196,984</u>
Total Incurred Claims	<u>196,984</u>
Payments:	
Current Year Events	180,887
Prior Year Events	<u>5,127</u>
Total Payments	<u>186,014</u>
Unpaid Claims End of Year	<u><u>\$16,097</u></u>

**WRIGHT COUNTY**  
**Clarion, Iowa**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,  
DISBURSEMENTS AND CHANGES IN BALANCES  
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2006**

	Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
<b>RECEIPTS:</b>						
Property & Other County Tax	\$4,348,756	\$ 0	\$4,348,756	\$4,335,301	\$4,335,301	\$13,455
Interest & Penalty on Property Tax	37,711	0	37,711	19,900	19,900	17,811
Intergovernmental	5,882,656	0	5,882,656	6,229,827	6,235,246	(352,590)
Licenses and Permits	10,343	0	10,343	4,475	4,475	5,868
Charges for Services	521,078	0	521,078	430,560	430,560	90,518
Use of Money & Property	440,685	0	440,685	254,649	254,649	186,036
Miscellaneous	375,535	233,397	142,138	127,940	127,940	14,198
Total Receipts	11,616,764	233,397	11,383,367	11,402,652	11,408,071	(24,704)
<b>DISBURSEMENTS:</b>						
Public Safety & Legal Services	1,474,452	0	1,474,452	1,523,251	1,555,270	80,818
Physical Health & Social Services	2,800,404	0	2,800,404	2,994,727	3,020,638	220,234
Mental Health	1,441,706	0	1,441,706	1,593,215	1,551,377	109,671
County Environment & Education	720,094	0	720,094	1,023,516	1,029,341	309,247
Roads and Transportation	2,930,736	0	2,930,736	3,510,000	3,510,000	579,264
Governmental Services to Residents	510,780	0	510,780	575,785	575,785	65,005
Administration	994,870	0	994,870	1,062,005	1,076,005	81,135
Nonprogram	312,831	288,911	23,920	23,227	23,227	(693)
Debt Service	168,962	0	168,962	169,212	169,212	250
Capital Projects	375,423	0	375,423	810,000	825,000	449,577
Total Disbursements	11,730,258	288,911	11,441,347	13,284,938	13,335,855	1,894,508
Deficiency of Receipts Under Disbursements	(113,494)	(55,514)	(57,980)	(1,882,286)	(1,927,784)	1,869,804
Other Financing Sources, Net	60,606	59,911	695	0	0	695
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(52,888)	4,397	(57,285)	(1,882,286)	(1,927,784)	1,870,499
Balance Beginning of Year	5,757,112	292,473	5,464,639	4,676,387	4,676,387	788,252
Balance End of Year	\$5,704,224	\$296,870	\$5,407,354	\$2,794,101	\$2,748,603	\$2,658,751

See Accompanying Independent Auditors' Report



**WRIGHT COUNTY**  
**Clarion, Iowa**

**BUDGET TO GAAP RECONCILIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
Year Ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$11,616,764	\$104,093	\$11,720,857
Expenditures	11,730,258	194,228	11,924,486
Net	(113,494)	(90,135)	(203,629)
Other Financing Sources, Net	60,606	0	60,606
Beginning Fund Balances	5,757,112	850,391	6,607,503
Decrease in Reserve For: Inventories	0	(64,978)	(64,978)
Ending Fund Balances	<u>\$5,704,224</u>	<u>\$695,278</u>	<u>\$6,399,502</u>

See Accompanying Independent Auditors' Report

**Wright County  
Clarion, Iowa**

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriation lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, nonprogram, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds and expendable trust funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$50,917. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2006, disbursements in the Nonprogram Function exceeded the amounts budgeted and certain departments exceeded the amounts appropriated.

**WRIGHT COUNTY**  
**Clarion, Iowa**

**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**

June 30, 2006

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Sheriff's K-9	Attorney Share Forfeiture	Federal Forfeiture	State Forfeiture	Resource Enhancement & Protection
<b>ASSETS</b>							
Cash & Pooled Investments	\$42,872	\$184	\$407	\$841	\$186,825	\$68,319	\$86,515
Receivables:							
Accounts	755	0	0	0	0	0	0
Accrued Interest	22	0	0	0	730	3	78
Loans	0	0	0	0	0	0	0
Due From Other Governments	0	0	0	9,186	0	0	0
<b>TOTAL ASSETS</b>	<b>\$43,649</b>	<b>\$184</b>	<b>\$407</b>	<b>\$10,027</b>	<b>\$187,555</b>	<b>\$68,322</b>	<b>\$86,593</b>
<b>LIABILITIES &amp; FUND BALANCES</b>							
Liabilities:							
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$9,914	\$27,793	\$ 0
Deferred Revenue	0	0	0	0	0	0	0
Total Liabilities	0	0	0	0	9,914	27,793	0
Fund Balances:							
Unreserved	43,649	184	407	10,027	177,641	40,529	86,593
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$43,649</b>	<b>\$184</b>	<b>\$407</b>	<b>\$10,027</b>	<b>\$187,555</b>	<b>\$68,322</b>	<b>\$86,593</b>

See Accompanying Independent Auditors' Report

**Schedule 1**

Economic Development Marketing	Public Health Resource	Intermediary Relending Loan Program	Revolving Loan	Emergency Medical Services	Revolving Housing Assistance	Drainage Administration	Conservation Land Acquisition Trust	Total
\$35,179	\$104,678	\$266,855	\$67,004	\$8,746	\$111,223	\$14,638	\$137,013	\$1,131,299
0	0	0	0	0	0	0	0	755
22	139	925	59	0	502	0	478	2,958
0	0	177,041	0	0	42,474	0	0	219,515
0	0	0	0	7,330	0	0	0	16,516
\$35,201	\$104,817	\$444,821	\$67,063	\$16,076	\$154,199	\$14,638	\$137,491	\$1,371,043
\$552	\$545	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$38,804
0	0	177,041	0	5,580	42,474	0	0	225,095
552	545	177,041	0	5,580	42,474	0	0	263,899
34,649	104,272	267,780	67,063	10,496	111,725	14,638	137,491	1,107,144
\$35,201	\$104,817	\$444,821	\$67,063	\$16,076	\$154,199	\$14,638	\$137,491	\$1,371,043

**WRIGHT COUNTY**  
**Clarion, Iowa**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
Year Ended June 30, 2006**

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Sheriff's K-9	Attorney Share Forfeiture	Federal Forfeiture	State Forfeiture	Resource Enhancement & Protection
<b>REVENUES:</b>							
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$5,025
Charges for Services	3,087	0	0	0	0	0	0
Use of Money & Property	226	19	0	0	5,055	42	848
Miscellaneous	0	0	1,209	9,564	0	62,244	0
Total Revenues	3,313	19	1,209	9,564	5,055	62,286	5,873
<b>EXPENDITURES:</b>							
Operating:							
Public Safety & Legal Services	0	0	802	895	77,144	27,793	0
Physical Health & Social Services	0	0	0	0	0	0	0
County Environment & Education	0	0	0	0	0	0	0
Governmental Services to	2,556	10,844	0	0	0	0	0
Residents							
Administration	0	0	0	0	0	0	0
Capital Projects	0	0	0	0	0	0	0
Total Expenditures	2,556	10,844	802	895	77,144	27,793	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	757	(10,825)	407	8,669	(72,089)	34,493	5,873
Fund Balances – Beginning of Year	42,892	11,009	0	1,358	249,730	6,036	80,720
Fund Balances – End of Year	\$43,649	\$184	\$407	\$10,027	\$177,641	\$40,529	\$86,593

See Accompanying Independent Auditors' Report

**Schedule 2**

Economic Development Marketing	Public Health Resource	Intermediary		Emergency Medical Services	Revolving Housing Assistance	Drainage Administration	Conservatio n Land Acquisition Trust	Total
		Relending Loan Program	Revolving Loan					
\$ 0	\$ 0	\$ 0	\$ 0	\$11,397	\$ 0	\$2,343	\$11,962	\$30,727
0	0	0	0	0	0	0	0	3,087
260	1,194	27,312	39,274	0	20,128	0	3,435	97,793
12,885	23,409	0	0	0	0	0	13,467	122,778
13,145	24,603	27,312	39,274	11,397	20,128	2,343	28,864	254,385
0	0	0	0	13,378	0	0	0	120,012
0	9,327	0	0	0	0	0	0	9,327
13,179	0	16,980	0	0	6,601	0	0	36,760
0	0	0	0	0	0	0	0	13,400
0	0	0	0	0	0	16,163	0	16,163
0	0	0	0	0	0	0	25,000	25,000
13,179	9,327	16,980	0	13,378	6,601	16,163	25,000	220,662
(34)	15,276	10,332	39,274	(1,981)	13,527	(13,820)	3,864	33,723
34,683	88,996	257,448	27,789	12,477	98,198	28,458	133,627	1,073,421
\$34,649	\$104,272	\$267,780	\$67,063	\$10,496	\$111,725	\$14,638	\$137,491	\$1,107,144

**WRIGHT COUNTY**  
**Clarion, Iowa**

**COMBINING SCHEDULE OF FIDUCIARY**  
**ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>ASSETS</b>				
Cash & Pooled Investments:				
County Treasurer	\$ 0	\$2,178	\$47,330	\$119,972
Other County Officials	14,711	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	9	9	478
Succeeding Year	0	142,352	155,749	7,621,198
Accounts	0	0	0	0
Accrued Interest	0	0	0	0
Assessments	0	0	0	0
Due From Other Governments	0	0	312	0
<b>TOTAL ASSETS</b>	<b>\$14,711</b>	<b>\$144,539</b>	<b>\$203,400</b>	<b>\$7,741,648</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 0	\$ 0	\$565	\$ 0
Salaries & Benefits Payable	0	0	2,622	0
Due to Other Governments	10,568	144,539	193,505	7,741,648
Trusts Payable	4,143	0	0	0
Compensated Absences	0	0	6,708	0
<b>TOTAL LIABILITIES</b>	<b>\$14,711</b>	<b>\$144,539</b>	<b>\$203,400</b>	<b>\$7,741,648</b>

See Accompanying Independent Auditor's Report

**Schedule 3**

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$6,571	\$73,678	\$2,577	\$4,539	\$240,934	\$457,731	\$955,510
0	0	0	0	0	0	14,711
22	555	0	0	0	11	1,084
215,048	3,409,919	215,048	0	0	168,978	11,928,292
0	0	0	0	0	25,421	25,421
0	0	0	0	0	662	662
0	0	0	283,928	0	0	283,928
0	0	0	0	0	0	312
\$221,641	\$3,484,152	\$217,625	\$288,467	\$240,934	\$652,803	\$13,209,920
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$72,301	\$72,866
0	0	0	0	0	6,766	9,388
221,641	3,484,152	217,625	288,467	240,934	561,345	13,104,424
0	0	0	0	0	2,187	6,330
0	0	0	0	0	10,204	16,912
\$221,641	\$3,484,152	\$217,625	\$288,467	\$240,934	\$652,803	\$13,209,920



**WRIGHT COUNTY**  
**Clarion, Iowa**

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY  
ASSETS AND LIABILITIES – AGENCY FUNDS**

Year Ended June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>ASSETS AND LIABILITIES</b>				
Balances – Beginning of Year	\$14,174	\$130,044	\$191,453	\$7,127,204
Additions:				
Property & Other County Tax	0	146,623	160,722	7,853,767
E911 Surcharge	0	0	0	0
State Tax Credits	0	7,720	9,000	423,628
Driver License Fees	0	0	0	0
Office Fees & Collections	233,840	0	0	0
Electronic Transaction Fees	0	0	0	0
Auto Licenses, Use Tax & Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	291,381	0	0	0
Miscellaneous	0	103	4,456	5,849
Total Additions	525,221	154,446	174,178	8,283,244
Deductions:				
Agency Remittances:				
To Other Funds	127,489	0	0	0
To Other Governments	107,529	139,951	177,231	7,668,800
Trusts Paid Out	289,666	0	0	0
Total Deductions	524,684	139,951	177,231	7,668,800
Other Financing Sources (Uses)				
Operating Transfers In (Out)	0	0	15,000	0
Balances – End of Year	\$14,711	\$144,539	\$203,400	\$7,741,648

See Accompanying Independent Auditors' Report

**Schedule 4**

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$403,552	\$3,512,685	\$190,970	\$215,412	\$286,021	\$755,368	\$12,826,883
228,431	3,524,720	221,589	0	0	172,971	12,308,823
0	0	0	0	0	78,354	78,354
23,749	220,097	10,052	0	0	7,419	701,665
0	0	0	0	38,636	0	38,636
0	0	0	0	0	0	233,840
0	0	0	0	0	2,332	2,332
0	0	0	0	3,086,609	0	3,086,609
0	0	0	219,120	0	0	219,120
0	0	0	0	0	173,220	464,601
249	0	246	0	0	310,890	321,793
252,429	3,744,817	231,887	219,120	3,125,245	745,186	17,455,773
0	0	0	0	118,763	0	246,252
434,340	3,773,350	205,232	146,065	3,051,569	659,685	16,363,752
0	0	0	0	0	173,066	462,732
434,340	3,773,350	205,232	146,065	3,170,332	832,751	17,072,736
0	0	0	0	0	(15,000)	0
\$221,641	\$3,484,152	\$217,625	\$288,467	\$240,934	\$652,803	\$13,209,920

**Schedule 5****WRIGHT COUNTY  
Clarion, Iowa****SCHEDULE OF REVENUES BY SOURCE AND  
EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS**

For the Last Six Years

	Modified Accrual Basis					
						(Unaudited)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	2006	2005	2004	2003	2002	2001
<b>Revenues:</b>						
Property & Other County Tax	\$4,324,172	\$4,335,560	\$5,192,685	\$5,000,118	\$4,659,659	\$4,495,161
Interest & Penalty On						
Property Tax	37,622	37,128	34,793	37,416	40,131	27,939
Intergovernmental	6,019,667	5,872,072	5,850,284	5,258,406	5,591,001	5,246,699
Licenses & Permits	10,153	9,420	9,567	4,065	2,865	3,890
Charges For Service	492,079	522,565	479,889	435,710	446,533	398,854
Use of Money & Property	388,875	256,392	204,246	222,420	197,165	395,702
Miscellaneous	214,892	312,946	558,401	2,476,337	2,384,660	574,105
Nonprogram	233,397	587,925	728,481	0	0	0
Total	<u>\$11,720,857</u>	<u>\$11,934,008</u>	<u>\$13,058,346</u>	<u>\$13,434,472</u>	<u>\$13,322,014</u>	<u>\$11,142,350</u>
<b>Expenditures:</b>						
Operating:						
Public Safety & Legal Services	\$1,520,355	\$1,390,447	\$1,331,130	\$1,208,316	\$1,191,521	\$1,041,035
Physical Health &						
Social Services	2,822,320	2,738,244	2,696,302	2,522,677	2,558,332	2,586,528
Mental Health	1,501,416	1,287,161	1,448,386	1,425,804	1,724,234	1,554,172
County Environment						
& Education	717,778	815,667	797,332	680,120	644,835	869,800
Roads & Transportation	2,958,515	3,261,860	2,921,667	3,024,214	3,567,732	3,296,541
Governmental Services To						
Residents	511,328	369,741	321,153	298,828	320,335	280,434
Administration	1,005,368	867,901	859,642	936,506	845,521	780,956
Nonprogram	316,800	716,588	1,312,576	3,613,795	1,452,410	1,436,142
Debt Services	168,962	168,678	168,433	167,332	2,411,238	421,327
Capital Projects	401,644	271,090	215,223	469,047	452,690	1,336,711
Total	<u>\$11,924,486</u>	<u>\$11,887,377</u>	<u>\$12,071,844</u>	<u>\$14,346,639</u>	<u>\$15,168,848</u>	<u>\$13,603,646</u>

See Accompanying Independent Auditors' Report



## **Independent Auditors' Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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To the Officials of Wright County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wright County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated January 23, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wright County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Wright County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wright County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Wright County and other parties to whom Wright County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Wright County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

January 23, 2007

*Gardiner Thomsen, P.C.*

**WRIGHT COUNTY**  
**Clarion, Iowa**

**SCHEDULE OF FINDINGS**  
**Year Ended June 30, 2006**

**Findings Related to the Financial Statements**

**REPORTABLE CONDITIONS:**

- (A) **Segregation of Duties** – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

***Recommendation*** – We realize that with a limited number of office employees, segregation of duties is difficult. However, the County Officials should review the operating procedures of each office to obtain the maximum internal control possible under the circumstances.

***Response*** – We have reviewed procedures and plan to make the necessary changes to improve internal control.

***Conclusion*** – Response accepted.

- (B) **Information Systems** – During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- Requiring user profiles to help limit access to programs to those who have a legitimate need.

***Recommendation*** – The County should develop written policies addressing the above items in order to improve the County's control over computer based systems.

***Response*** – The County will comply in the future with these recommendations. County officials have discussed and agree that these policies are needed.

***Conclusion*** – Response accepted.

**INSTANCE OF NON-COMPLIANCE:**

No matters were reported.

**Other Findings Related to Required Statutory Reporting:**

- 1 **Certified Budget** – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the Nonprogram Function. Disbursements in certain departments exceeded the amounts appropriated.

***Recommendation*** – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

***Response*** – We will amend the budget when required and appropriations will be watched more closely by the departments.

***Conclusion*** – Response accepted.

- 2 **Questionable Expenditures** – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows :

<u>Paid To</u>	<u>Purpose</u>	<u>Amount</u>
Pizza Ranch	Meals and Snacks for Advisory Council Meetings, Safety Meetings and Public Health Meetings	\$1,155
Lasting Impressions Tea Room	Meals and Snacks for Safety Meetings and Public Health Meetings	\$1,296

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

***Recommendation*** – The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation.

***Response*** – The Board of Supervisors will continue to work with the departments and Boards involved to determine and document public purpose before authorizing further payments.

***Conclusion*** – Response accepted.

- 3 **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

**Other Findings Related to Required Statutory Reporting (Continued)**

- 4 **Business Transaction** - Business transactions between the County and County officials or employees were noted.

<u>Name, Title, and Business Connection</u>	<u>Transaction</u>	<u>Amount</u>
Fred Meeder, Owner of Meeder Lock Service Deputy Sheriff	Service and Repair	\$569
Merle Weidemann, Owner of STN Repair, Secondary Road Employee	Repair Work	\$492
Jim Lester Deputy Sheriff	Drug Testing	\$452
William Kem Deputy Sheriff	Drug Testing	\$30
Paul Schultz Sheriff	Drug Testing	\$1,135
Denise Schumacher Public Health Employee	Drug Testing	\$1,917

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions in excess of \$1,500 with Denise Schumacher appear to represent a conflict of interest. The transactions with the other County employees do not appear to represent conflicts of interest since the total transactions for each individual were not in excess of \$1,500 during the fiscal year.

***Recommendation*** – The County should refrain from business transaction with County officials or employees whenever possible.

***Response*** – We will refrain from business transactions with officials or employees whenever possible.

***Conclusion*** – Response accepted.

- 5 **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

- 6 **Board Minutes** – No transactions were found that we believe should have been approved in the board minutes but were not. It was noted that a roll call vote was not held (or documented) to close a session. In addition, it was noted that not all board minutes were provided to the publisher within seven days of a meeting as required by Chapter 349.18 of the Code of Iowa.

***Recommendation*** – Chapter 21.5 of the Code of Iowa requires that a roll call vote be held and documented to go into and come out of closed sessions. Also, minutes should be provided to the publisher within seven days of the meeting.

***Response*** – We will document the roll call vote for closed sessions and submit the minutes on a more timely basis.

***Conclusion*** – Response accepted.



**Other Findings Related to Required Statutory Reporting (Continued)**

- 8 **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- 9 **Resource Enhancement and Protection Certification** - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- 10 **Economic Development** – During the year ended June 30, 2006, the County spent \$113,072 for economic development purposes, which appears to be an appropriate expenditure of public funds since benefits to be derived have been clearly documented.
- 11 **County Extension Office** – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B. Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted.
- 12 **Disbursements** – Claims submitted to the Auditor's office for payment were not always supported by an invoice. The Auditor does not receive invoices for several departments, instead the departments turn in a spreadsheet with a list of claims to be paid. Invoices were not all cancelled to prevent reuse. Credit card disbursements were not all accompanied by detailed receipts.

***Recommendation*** – Claims should be accompanied by an invoice, showing the basis of the claim and whether for property sold or furnished for services rendered or for another purpose according to Chapter 331.504 of the Code of Iowa.

***Response*** – The departments will supply supporting documentation for each claim submitted. We will cancel all invoices in the future. The department heads will comply with the requirements for credit card statements.

***Conclusion*** – Response accepted.

- 13 **E911 and Emergency Management Budgets** – It was noted the E911 budget was not adopted or certified on or before March 15, 2005. The Emergency Management disbursements were in excess of the amounts budgeted at the end of the year.

***Recommendation*** – Budgets should be adopted and certified by March 15 for the following fiscal year in accordance with the Code of Iowa. Budgets should be amended before disbursements were allowed to exceed the amount budgeted.

***Response*** – We will monitor the budgets more closely and will attempt to have the budgets prepared and adopted on a timely basis in the future.

***Conclusion*** – Response accepted.

## **News Release**

Gardiner Thomsen today released an audit report on Wright County, Iowa.

The County had local tax revenue of \$17,563,954 for the year ended June 30, 2006, which included \$930,949 in tax credits from the state. The County forwarded \$12,516,560 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,047,394 of the local tax revenue to finance County operations, a 3% increase from the prior year. Other revenues included charges for service of \$1,046,866, operating grants, contributions and restricted interest of \$5,591,890, unrestricted investment earnings of \$248,247 and other general revenues of \$413,001.

Expenses for County operations totaled \$12,421,062, a less than 1% decrease from the prior year. Expenses included \$4,010,456 for Roads and Transportation, \$2,825,952 for Physical Health and Social Services, and \$1,510,513 for Public Safety and Legal Services.

A copy of the audit report is available for review in the Office of Auditor of State and the County Auditor's office.

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